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THE FAR EAST AND OCEANIA AGRICULTURAL SITUATION



Review of 1966 and Outlook for 1967

**U.S. DEPARTMENT OF AGRICULTURE
ECONOMIC RESEARCH SERVICE
Washington, D.C.**

FOREWORD

This report is an annual publication of the U.S. Department of Agriculture in the ERS-Foreign series. It is intended to provide an analytical basis for short-run policy decisions, as well as to inform an interested public about current agricultural developments in the Far East and Oceania. It is one of four regional supplements to The World Agricultural Situation: Review of 1966 and Outlook for 1967, FAER-33. Other regional reports are being published for Europe and the Soviet Union, Africa and the Middle East, and the Western Hemisphere.

The statistical appendix that was a part of this report in each of the past 2 years is omitted from this publication. Tabular materials are being released this year in a separate publication, The Far East and Oceania Agricultural Data Book, ERS-Foreign 189.

Data in this report may vary slightly from those in The World Agricultural Situation because of more recent information.

Riley H. Kirby, Leader, Situation and Outlook Section, provided direction and coordination of the report. Others participating in the preparation of the report include Goodloe Barry, Boyd A. Chugg, Audrey T. Day, Marion R. Larsen, William Logan, Mary E. Long, John B. Parker, Jr., Virginia Salley, and Shirley R. Simpson.

A handwritten signature in blue ink that reads "Clarence E. Pike". The signature is written in a cursive style with a large, prominent "C" and "P".

Clarence E. Pike, Chief
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THE FAR EAST AND OCEANIA

AGRICULTURAL SITUATION

SUMMARY



FAR EAST

The year 1966 brought gains in total agricultural production to some countries of the Far East, losses to others. Failure often struck where success was most needed. With massive aid from abroad, India strove to fill food deficits arising from the disastrous drought of 1965 only to find that 1966 harvests were scarcely better than the year before. Having drawn down stocks reserved from the bumper crop of 1964/65, India will need food grain imports in 1967 about equal to the 10 million tons¹ of 1966 if per capita availability is not to decline further.

Agricultural production in 1966 was up significantly from the previous year in the States of Malaya, the Philippines, South Korea, and Thailand. In South Viet Nam and Cambodia production declined for the third consecutive year.

Production per capita in South Asia fell again in 1966--the third consecutive year of decline. It is now 8 percent below the average for 1957-59. In Japan, per capita output remained unchanged from 1965. But in the rest of East Asia, where agricultural production has gained at 4.0 percent annually (compound rate) since 1957-59 while population has increased at 2.6 percent per year, per capita output continues to increase and in 1966 was 12 percent above the base period.

Food grain output in the Far East increased only slightly in 1966. Gains in production of rice and of millet and sorghum were partly offset by smaller harvests of wheat and corn. Rice, accounting for three-fourths of all grains, was 2 percent above 1965 but still 6 percent below the peak of 145 million tons reached in 1964. The largest gains were made by South Korea and Thailand. Wheat harvested in early summer of 1966 was down in each of the three principal producing countries--India, Pakistan, and Japan.

The harvest of pulses was down sharply in India. Smaller crops of sugarcane in India, the Philippines, Taiwan, and Thailand were only partly offset by increases in Indonesia and Pakistan. Rapeseed and mustardseed registered declines because of dry weather in South Asia, but most other oilseeds were up. Increases were also made in cotton, jute, and tobacco.

Inflation continues as a problem for several countries in the Far East. Rising prices and associated currency depreciation hamper expansion of exports. India revalued its currency in June 1966. The rupee, previously fixed at 21 U.S. cents, was given a new official value of 13.3 cents. By the end of the year it was worth 9 cents on the free market. Pakistan, Ceylon, and Burma are having similar difficulties. In Indonesia the problem is even more severe. The won of South Korea, on the other

¹ Tonnages in this report are metric unless otherwise indicated.

hand, has been remarkably stable since late 1964.

Holdings of gold and foreign exchange by principal countries of the region for which data are available were estimated to be about \$5.9 billion at the end of September 1966. This was about \$740 million higher than a year earlier. Thailand accounted for a large part of the gain. Gains were also made by Taiwan, South Korea, the Philippines, and South Viet Nam. A substantial increase in India's holdings reflects drawings from the International Monetary Fund.

Rubber exporters benefited from a slight rise in prices during the first quarter of 1966, but for the remainder of the year faced a continuation of the downtrend that has persisted since 1960. Rice prices gained in the last quarter of 1965 and continued to rise in 1966, reflecting a generally short world rice supply. Prices for copra and coconut oil fell after the first quarter. Jute reached a low in the first quarter, and gained thereafter. Burlap prices were generally higher in 1966.

Exports of all commodities from Far Eastern countries excluding Indonesia totaled \$17.1 billion in 1965--up 16 percent from the year before--and moved at an annual rate of \$18.3 billion during the first 9 months of 1966. About 30 percent of this consisted of food, beverages, and agricultural raw materials. Rubber, fish, tea, rice, sugar, silk, jute, and coconut products are important export items.

Rice exports go mainly to other countries within the region. Thailand and Burma are the largest surplus producers. They exported 1.65 million tons and 1.16 million tons, respectively, in 1966. Smaller amounts were exported from Cambodia, Taiwan, and South Korea. Pakistan exports about 150,000 tons of high quality basmati rice and imports approximately the same amount of low quality rice.

The United States is an important market for the region's products. U.S. imports of all commodities from the Far East in 1965 totaled \$4.1 billion; 58 percent came from Japan. Agricultural imports from the region reached \$703 million, down slightly from 1964. Of this

total some \$278 million came from the Philippines. The next largest supplier at nearly \$120 million was Indonesia. Principal agricultural products entering the United States from the region include rubber from Malaysia and Indonesia, sugar and coconut products from the Philippines, tea from Ceylon and India, and spices and coffee from Indonesia.

Total merchandise imports by Far Eastern countries excluding Indonesia rose 6 percent in 1965, reaching \$20.2 billion and maintaining the unfavorable trade balance that has persisted for many years. For the January-September period of 1966, imports were at an annual rate of \$22 billion. Food, beverages, and agricultural raw materials accounted for about 30 percent of this total. Fibers and cereals were leading products.

U.S. exports of farm products to the Far East reached \$1.9 billion in 1965 and \$2.0 billion in 1966, about two-fifths of the value of all U.S. exports to the region. Japan is the leading commercial market for U.S. farm products in the region and in the world. Exports of agricultural products to that country reached \$942 million in 1966, compared with \$392 million 10 years earlier. India, Pakistan, Taiwan, South Viet Nam, South Korea, the Philippines, and Hong Kong also take large quantities of U.S. farm products. Except for the Philippines and Hong Kong, most of the exports to these countries are financed largely under U.S. Government programs. Exports under these programs to Far Eastern countries totaled \$823 million in 1965--about two-fifths of total U.S. agricultural exports to the region and nearly three-fifths of all exports made under U.S. Government programs.

Cereals account for about half the value of all U.S. agricultural exports to the Far East. The United States exported 17.9 million tons of unmilled grains to that region in 1966. This was 37 percent of total U.S. grain exports to all destinations and three-fourths of all grains imported by Far Eastern countries. Of this amount, 8.2 million tons (wheat 6.0 and sorghums 2.0) went to India. Japan took some 6.8 million tons, including 2.2 million tons of wheat and 2.1 million tons each of corn and sorghum.

MAINLAND CHINA

Except for reiterating the "agriculture first" policy, the Third Five-Year Plan--inaugurated in 1966--provided only vague generalizations on the goals of agriculture and the economy in Mainland China. The plan placed greater emphasis on increasing production of raw materials (coal, iron, and steel), fuels, electricity and large machinery during the first year, apparently with good results. Agriculture, on the other hand, suffered a setback, due primarily to a drop in crop production. Disruptions throughout the country resulting from the Cultural Revolution have forced the Communist regime to focus closer attention on dwindling food supplies and to take steps to "insure" better crops in 1967.

Farm production in the socialist sector was down in 1966. Grains declined; but fiber crops and oilseeds including soybeans fared about the same as in 1965 and sugar crops and tobacco likely increased. Production of vegetables, fruits, hogs and poultry on private plots apparently increased but at a slower pace.

Severe winter storms in some areas of livestock production and limited feed are believed to have slowed livestock production. Adverse weather more than offset beneficial effects of increased inputs (irrigation and water conservancy, and chemical fertilizers) and cut crop production.

The level of consumption in 1966 was about equal to that of the previous year, main-

tained by an apparent reduction in inventories of both consumer goods and food supplies. The reluctance of peasants to fulfill delivery quotas, recent strenuous efforts by the regime to quell Red Guard activity, the appeal to peasants to perform farm work, and the greater than usual use of army elements to assist in spring farm work indicate a growing concern by the Government about deterioration in the agricultural sector.

Mainland China's foreign trade continued to expand in 1966. Imports increased faster than exports. A favorable balance was attained in 1965 between exports and imports of agricultural commodities for the first time since 1960. Imports of grain in 1966 were about 6 million tons, and imports of chemical fertilizers were the highest on record. Preliminary data indicate that Mainland China's trade in 1966 almost equaled the record of 1959, when exports amounted to \$2.2 billion and imports were almost \$2.1 billion. Trade with the Free World continued to increase. In 1965 agricultural imports accounted for almost 40 percent of total imports: grains, about \$400 million, and cotton, about \$100 million. Imports of fertilizer were valued at \$140 million in 1965. Imports of these commodities in 1966 likely exceeded these amounts. Increased imports of chemical fertilizers may be replacing grain imports, because of more favorable prices for fertilizers and reduced offerings of the type of grain China desires.

OCEANIA

Gross national product in Australia gained 4 percent in 1965/66 while in New Zealand it increased 7 percent. Favorable export markets prevailed for both countries' wool and meat. The only significant contrast between the areas was in their balance-of-payments situations. Australia's foreign exchange reserves were up in 1966 while New Zealand's chronic unfavorable balance of payments continued.

The outlook for agriculture in both countries is generally favorable for 1966/67. Pros-

pects for most crops are good to excellent. The continued Government emphasis on greater farm output is indicated by tax advantages granted to farmers in both Australia and New Zealand, particularly livestock producers.

Increased attention has been given by both countries to greater diversion of marketing of agricultural exports. New Zealand has been particularly active in this field in market promotion in Japan for livestock products.

Australia is increasing its marketing efforts for sales of agricultural products to the Far East, EEC countries and the Middle East.

In Australia, the 1966/67 wheat crop was far above all previous records, though serious drought had prevailed in some of the principal farming areas last year. Livestock slaughtering and meat production will probably decline, however, because of severe losses of sheep and scarcity of cattle and sheep for stocking of pastures.

Long-term Federal- and State-financed programs of benefit to agriculture are expected to continue in 1967. Chief among these are water conservation projects, continuation of wool and livestock research, expansion of extension services and development of Northern Australia. The primary emphasis in Northern Australia is on construction of port facilities and railroads, mainly for mining; but agriculture will also benefit. Expansion of beef road construction in Western Australia and land development programs in Queensland are also proceeding.

Unless wool prices increase in the next few months, the value of Australia's agricultural exports for 1966/67 will probably not be more than about 3 percent over the previous year. Most of this increase will be from larger grain shipments and slightly larger

sugar exports. Assuming that Mainland China's and other Far Eastern countries' demand for wheat continues in 1967, Australia's wheat exports could exceed the record of 1963/64.

Australian meats, wool, and sugar continue to comprise the bulk of exports to the United States. Cotton and tobacco are the chief U.S. items shipped to Australia.

In New Zealand, the Government will probably continue with measures to control inflation. Livestock numbers and production of wool are expected to increase during 1967, but increased earnings from overall livestock production are expected to decline because of lower prices for New Zealand wool. The Government's policy of emphasis on greater capital investment in agriculture is expected to continue during 1967.

A larger volume of New Zealand's farm products should be available for export in 1966/67, but foreign exchange earnings are expected to be below the previous year unless some sharp increases should occur later in the year in prices of meats, wool and dairy products.

New Zealand in 1966 continued to emphasize its bilateral trade agreements and marketing assurances by extension of preferential trade arrangements with the United Kingdom into the 1970s.

SITUATION BY COUNTRY



FAR EAST

BURMA

Economic conditions: Economic and political policies fostered by the Revolutionary Government of the Union of Burma during recent years have produced mixed economic returns which reveal a general downtrend. The Government has given increased attention to the agricultural sector of the economy. Acreage planted to crops has increased slightly during recent years. However, production delivered to Government markets has decreased. Supplies of agricultural products available for export, particularly rice, are down.

Prices farmers received for their crops have decreased considerably since the peak levels of the early 1960s. Using 1960/61 as a base year, an index of prices obtained by farmers during 1965 and early 1966 show grain prices standing at 88, oilseeds at 82 and pulses at 66. Prices for spices and condiments remained relatively high in 1965, but dropped to 86 during the first 5 months of 1966.

The official Trade Council, established in late 1965, took a bold step toward increased centralization in January 1966 by limiting to official agencies the sale of 426 locally produced commodities. The list contained 46 agricultural, 15 maritime, 100 textile, 255 industrial and 10 mineral products. Resale to the public was directed through people's shops, village cooperatives and private registered outlets. The result of this

restriction on private trade was an immediate reduction of private retailing and black marketing.

During the next few months considerable confusion in supply developed as official agencies buckled to the task of processing, storing, transporting and selling commodities normally handled by private retailers. During the last quarter of 1966, many of the restricted food products were partially decontrolled. Resumption of limited private trade in these products served to significantly reduce prices while unblocking supplies. Official outlets will continue to deal in decontrolled food products, and it is believed that market prices established by one outlet will serve as a check on prices set by the other.

Gold and foreign exchange holdings at the end of 1966 were \$184 million, an increase of \$7 million during the year. The Revolutionary Government of Burma withdrew from the sterling area on October 17, 1966.

Agricultural production: Total agricultural production in 1966 was about the same as in 1965. Burma's efforts to diversify its agriculture were somewhat successful, but rice remains the most significant crop in the country. Paddy rice production during the 1960s has been the highest in Burma's history--about 8.0 million tons--but current yields are still only one-half those of South Korea and one-third those of Japan. Although the Government is providing assistance in mechanization, credit, and fertilizer supplies, farmers have not responded with increased sales to official

government agencies. Much of Burma's rice has gone into increased rural consumption or into unauthorized sales. Burma's export price for rice in 1966 followed the uptrend in world rice prices. Late in the year the Government raised the price paid to farmers by 6 percent. The Government hopes that this price incentive will provide increased sales from the 1966 crop for 1967 export.

Pulses in the 1960s are a full one-third higher than the 1950s, and there is a trend toward increased planted area. Rubber production, largely a nationalized industry, has decreased steadily since peak production of 24,000 tons in 1961. About 15,000 tons of rubber were produced in both 1965 and 1966, and there is no indication that previous high levels will be achieved again in the near future.

Foreign trade: Import values exceeded exports in 1960, 1964, 1965 and in the first half of 1966. Rice provides almost two-thirds of export values. Decreasing exports of rice during the 1960s have been only partially made up by high prices, and total earnings from rice export have decreased. Burma's exports of rice were 1.7 million tons in 1963, 1.4 million tons in 1964, and 1.3 million tons in 1965. Government purchases of rice during the first 8 months of 1966 were much lower than for the corresponding period in 1965, and total earnings from rice exports in 1966 are expected to have been the lowest in a decade. Burma increased the price paid to farmers for rice in late 1966, yet it is expected that much smaller volumes will be available for export in 1967.

Exports of corn, pulses, raw cotton, rubber, potatoes, and oil cakes during the first 6 months of 1966 are far below volumes shipped during the first 6 months of 1965. Combined values of these export commodities at the end of June 1966 were less than 60 percent of those registered by June 1965.

Imports during the first half of 1966 were 50 percent lower than during the first 6 months of 1965. Imports of consumer goods have been reduced more than capital goods. The outlook for 1967 is for further efforts on

the part of Government officials to keep import values below exports in order to achieve a favorable, although reduced, balance of trade.

The United States is not a significant trader with Burma and does not have a P.L. 480 program with that country. (William Logan)

CEYLON

Economic conditions: A more favorable policy towards foreign investment and private capital developed during 1966. Petroleum companies, banks, and other economic activities were nationalized several years ago. Some transfers of profits by tea firms have been allowed recently.

The International Bank for Reconstruction and Development loaned Ceylon \$50 million for a development program which was initiated in 1965. Deliveries of cereals from the \$7.5 million commodity loan from AID began in February 1967.

Ceylon's gross national product increased from \$1.47 billion in 1963 to about \$1.68 billion in 1966. The per capita GNP is about \$145. Some industries producing light consumer goods such as cigarettes, candy, and bakery products are expanding rapidly.

The Government of Ceylon has granted a 5-year tax holiday to private agricultural undertakings and leased 40,000 acres of public land to private farmers for food crops and livestock. Foreign exchange allocations for importing farm equipment have become easier to obtain. In February 1966 the Government of Ceylon signed an investment guarantee agreement with the United States. Ceylon hopes to attract foreign capital for developing food processing and tourism. From March through November 1966, foreign investments from 16 private firms reached \$5.25 million.

The major efforts for economic development are now concentrated on agriculture. About 30 percent of the 1966/67 Government budget of \$153 million was allocated to agriculture.

Agricultural production: The 1966 tea harvest was about the same as the 228,000 tons produced the previous year. The crop suffered some cyclone damage in the Trincomalee area. New plantings of tea are likely to provide larger quantities for export in the future.

The Ceylonese Government made efforts to increase the production of rice and other food crops last year through subsidized fertilizer, planting subsidies, and improved irrigation facilities. The area planted in rice was 33 percent above the previous year when floods in some areas prevented normal plantings. Ceylon's rice harvest increased from 742,000 tons in 1965 to almost 1 million tons of paddy rice last year.

Although most of the rice is grown at lower elevations in the wet zone near Colombo, the reclamation of jungles in the Gal Oya Valley on the other side of the island has helped boost production.

Prime Minister Dudley Senanayake in December 1966 announced a free ration of 2 pounds of rice weekly in place of the ration of 4 pounds per week. The price had been about 10 U.S. cents per pound less than the actual cost to the Government. The population of Ceylon is growing at a compound annual rate of 2.6 percent, and the supply of rice is always short. Ceylon now spends about \$60 million annually in rupees for subsidies to domestic rice growers and slightly more in various currencies for imports.

Vegetables, chillies, cassava, pulses and clover are planted between the groves of coconut, breadfruit, and banana trees. Over 300,000 tons of cassava and 53,000 tons of sweetpotatoes were harvested last year. The availability of these foods enabled the rural population to cope with a serious rice shortage.

New coconut groves have been developed in the Gal Oya Valley and northern Ceylon. The number of trees in the densely populated areas near Colombo is not increasing. The output of copra last year was slightly less than

in 1965 when 576,000 tons were produced. A smaller crop is forecast for 1967. About one-fifth of Ceylon's copra is exported.

Rubber production increased from 112,000 tons in 1964 to about 120,000 tons in 1966.

Agricultural trade: Total exports exceeded \$400 million in 1965 but fell to \$350 million in 1966. Rubber and coconut products account for about one-third of the total exports. In 1965 Ceylon became the world's largest tea exporter, surpassing India for the first time. It maintained this position in 1966. Tea shipments accounted for about 62 percent of Ceylon's exports in 1965 and 1966.

The United Kingdom has remained the major export market for tea, although the share purchased by the English has declined to less than 36 percent of the total. Iraq, the United States, South Africa, and Australia combined now buy about the same quantity of Ceylonese tea as the English. Exports of tea to Canada, New Zealand, USSR, Saudi Arabia, Iran, and Kuwait have also increased in recent years.

Exports of rubber increased from 94,980 tons in 1963 to 121,010 tons in 1965 for a value of \$63.8 million and remained near this level in 1966. Ceylon's rubber is exported to over 60 countries. In the last 2 years Mainland China took about one-third of the total. The United States, West Germany, Rumania, Japan, India and Poland are also important markets.

U.S. agricultural exports to Ceylon during 1966 were more than double the \$4.1 million recorded in 1965, mainly because of larger shipments of wheat flour. Exports of wheat flour from the United States to Ceylon increased from 3,447 tons in 1965 to over 70,000 tons in 1966 for a value of \$6.1 million, including \$4.5 million under Title I of P.L. 480. American exports of powdered milk and tobacco to Ceylon last year were double the 1965 level.

Ceylon's leading agricultural imports are rice, wheat flour, powdered milk, onions,

tobacco, and spice. Rice imports in 1966 were over 500,000 tons. Ceylon received 200,000 tons of rice from Mainland China last year in exchange for rubber. Imports of rice from Burma were less than the 211,955 tons received in 1965. Thailand and Cambodia are other major suppliers of the needed rice imports.

Imports of wheat flour reached 313,400 tons in 1963, declined in 1965, and increased sharply in 1966. Australia supplied about half of the wheat flour imports in the last 2 years.

The United States, Australia, Netherlands, and New Zealand supply most of the powdered milk imports. Australia and New Zealand supply most of the butter. (John B. Parker, Jr.)

HONG KONG

Economic conditions: Hong Kong's economy, after undergoing major adjustments in 1965, continued to expand in 1966 but at a slower pace. Diversification is occurring, and the colony's entrepot position continues to give way to the more stable industrial sector as the basic factor in the economy. The textile industry, accounting for 50 percent of all exports, continued to adjust to external trade pressures; exports continued to increase. Industrial construction increased substantially, while commercial and residential construction continued to shrink. Competition from neighboring countries began affecting the colony's rapidly growing electronics industry, and the plastic flower industry felt the pinch of a satisfied if not a saturated market. Tourism, one of Hong Kong's major sources of income, increased about 10 percent.

Following a slow start in 1966, trade expanded rapidly during the second half of the year. Preliminary data indicate imports increased 13 percent and exports 16 percent. Local banks retained higher liquidity ratios, but credit was tighter and interest rates rose. These developments, together with recently signed bilateral agreements on textiles with the United States and Great Britain extending through 1970, bolstered the colony's forward-

looking economy. Earnings from banking, insurance, and other services were more than enough to offset the trade deficit.

Per capita income in Hong Kong is rising steadily. Estimated at about \$400 in 1965, it has continued to increase and ranks second in Asia behind Japan. The distribution of income is very uneven. The labor force continued to increase in 1966, but shortages of certain skilled workers continued. Selected tax increases were levied by the Hong Kong Government to offset expected budgetary deficits. This was only the second increase since World War II.

Agricultural production: Hong Kong's agricultural sector provides a livelihood for about 30,000 families, or 5.3 percent of the population. It produces only a small fraction of the colony's food supply--about 50 percent of the vegetables and live poultry, 15 to 20 percent of the hogs, and about 3 percent of the rice. The trend toward more intensive land use continued in 1966 with more rice land being shifted to vegetable production. Vegetables suffered from heavy rains in June 1966, and production likely was less than in 1965. Pond fishing and livestock enterprises also were effected by floods and heavy rains. Thus, total agricultural production in 1966 is expected to have been less than in the previous year.

Agricultural trade: Hong Kong is the second largest dollar market--after Japan--for U.S. farm products in the Far East. Imports of food, beverages, and agricultural raw materials, amounting to almost \$530 million, accounted for over one-third of Hong Kong's total imports in 1965. Imports of these items from the United States, representing one-third of total imports from the United States, were over \$57 million in 1965 (compared with almost \$70 million in 1964), or 11 percent of Hong Kong's total imports of these commodities. Imports of these commodities from Mainland China in 1965 amounted to about \$230 million, or about 43 percent. Principal agricultural imports from the United States include cotton, fruits and vegetables, tobacco, animal and vegetable fats and oils, and meat and meat preparations. The colony's exports of domestically produced agricultural products are negligible.

Mainland China supplied one-fourth of Hong Kong's imports of all commodities in 1965 compared to one-fifth 2 years earlier. Nearly three-fifths of the colony's food was provided by Mainland China. Trade with the British Commonwealth has declined somewhat in recent years. New agreements with Britain in 1966, however, appear to have resulted in the restoration of much of the former Commonwealth trade. Also, some improvement was noted in trade transactions with West European countries. The United States remained the major market for Hong Kong exports, taking 34 percent by value of total exports. (Marion R. Larsen)

INDIA

Economic conditions: The Indian economy was ushered into the year 1966 with a food shortage of dire proportions. A sharp fall occurred in the growth rate of industrial production, mainly because of shortages of domestic agricultural products and imported materials. An intensified shortage of foreign exchange and continued inflation were nagging problems during the year.

The Indian Government devalued its currency effective June 6, 1966, changing the par value of the rupee from 21 U.S. cents to 13.3 cents. The move was felt to be necessary because of the 80 percent rise in the general price level over the past 10 years and the limited success of the export promotion scheme. At the time the action was taken, the rupee was worth 10 cents on the free market. Concurrently with the devaluation the Government abandoned the complex system of export incentive measures, made extensive tariff adjustments, and imposed export duties on certain products.

Inflation remained a primary concern. Wholesale prices of all commodities rose 14 percent during the 12 months ended October 1966 under the impetus of strong monetary expansion. Food prices rose 1.7 percent in the same period. Persistent inflation and overvaluation of the rupee have deterred exports. Over the long run, devaluation should help limit imports and serve to promote ex-

ports, provided that domestic prices can be held in check.

Industrial production in India during the final year of the Third Five-Year Plan (April 1965 - March 1966) gained only 3.8 percent. This was far below the estimated average rate of 7.4 percent during the first 4 years of the Plan and the 11 percent annual rate of growth called for over the whole plan period. A decline in production of textiles is a major factor explaining the slower growth of industrial production. This decline is traceable in large part to the drought of 1965. Shortages of jute and cotton led to cutbacks in mill output. At the same time consumer demand for textiles fell off as rising food prices, growing out of shortages, limited the ability of consumers to purchase cloth.

March 1966 marked the end of India's Third Plan. The Fourth Five-Year Plan (April 1966 - March 1971) was revised to take account of changed circumstances following the brief war with Pakistan of September 1965 and the devaluation of mid-1966. Total expenditures are planned at \$31.6 billion. The Plan accords highest priority to agricultural programs and to the production and supply of agricultural inputs such as fertilizers, pesticides, agricultural implements, seeds, and irrigation. Targets set for agricultural production would require a compound rate of growth of 5.6 percent. This is in line with the country's growing needs, but it appears ambitious when compared with past achievements.

For the first 9 months of 1966 the value of India's imports exceeded that of exports by \$940 million. This deficit was financed largely by assistance from foreign governments and short-term accommodation from the International Monetary Fund (IMF). The use of foreign aid to finance imports has grown steadily over the past 5 years. Drawings from the IMF, together with restrictions on imports during 1965/66 contributed to an improvement in gold and foreign exchange holdings in early 1966. These reached a total of \$797 million at the end of May but fell to \$605 million by the end of November, in part because of the import liberalization program that became effective in June.

Agricultural production: For the second consecutive year Indian farmers labored against unfavorable monsoons. Both times the harvests were at disaster levels--food grain production was nearly 20 percent below the level of 89 million tons produced in 1964/65. Faced with severe food shortage in 1966, the country moved to assure supplies needed for some 110 million people who are completely or partially dependent on rations for their grain supplies. Provided largely on concessional terms, grain shipments moved to Indian ports in unprecedented volume. Coming principally from the United States--but also from Canada, Australia, and other nations--more than 1 million tons a month were moved from April through September.

Central and State governments were able to obtain only 3.2 million tons of grain from the 1965/66 harvest of 72 million tons. But with massive aid from abroad and with major domestic efforts to unload at ports and to distribute as needed through the ration system, India was able to avert a serious food crisis.

In the meantime the 1966/67 agricultural year appeared off to a good start. Early drought conditions were relieved by widespread and generally satisfactory rains after mid-July. Persistent indications of difficulties in Bihar and Uttar Pradesh resulting from a combination of drought and floods, followed by failure of rains in most parts of India during September and October, dulled earlier hopes of officials that food grain production might top the 89-million-ton level of 1964/65. The most recent estimate is that output in 1966/67 will be less than 80 million tons. This includes rice at 30.8 million tons (milled basis), scarcely above the very low level of the previous year. Harvests of corn, millets, and sorghums are thought to be little better than those of a year earlier. Unless the spring harvests--wheat, barley, and pulses--reach record levels, total production of food grains will be well below 80 million tons.

In the face of limited supplies, the system of public distribution of food grains was enlarged during the year. Fair-price ration

shops service about one-fifth of the population; statutory rationing covers about 28 million people. Late in September the Government decided to withdraw gradually the subsidy on all food grains, imported as well as indigenous, sold through the fair-price ration shops. An earlier announcement that the increase in cost of imported grains following devaluation would be absorbed by Government subsidy was thereby reversed. In November the Government raised the issue prices of imported wheat and milo from central stocks, and corresponding increases were made in consumer prices at the fair-price ration shops.

Wholesale prices of food grains moved steadily upward throughout 1966. The official all-India index number of wholesale prices of cereals (1952/53 = 100) reached 178 in mid-December. This compares with 164 in June and 152 a year earlier.

Production of commercial crops was somewhat higher in 1966, but the overall supply position for cotton, jute, and oilseeds will continue tight because of increasing requirements and depleted pipeline stocks. In view of the recent rise in prices of these commodities, the Government has announced its intention to continue existing controls on cotton and to impose suitable anti-inflationary measures on trading in jute and oilseeds. Shortage of sugarcane is creating a difficult supply problem for the sugar mills in the principal sugar producing states of Bihar and Uttar Pradesh.

Agricultural trade: The dominant feature of Indian foreign trade in 1966 was the large expansion of food grain imports. Total for the year was about 10 million tons--one-third more than the volume for 1965--nearly as much as was imported in 1963 and 1964 combined.

The bulk of these imports was supplied from the United States on concessional terms under P.L. 480. Imports in 1966 included about 1.6 million tons of milo to supplement India's own production of millets and sorghum (some 14 million tons) which is used primarily for human food.

With a second consecutive poor harvest and with food stocks at minimal levels, continued high-volume imports will be required in 1967 if critical shortages are to be avoided. And unless harvests are exceptionally good in the coming year to permit farmers to rebuild stocks as well as to provide for a growing urban population, large imports will be needed again in 1968.

Although the ban on export of oilseeds and edible oils is generally well enforced, availability of oils for domestic consumption in 1965/66 was considerably less than in the previous year because of smaller oilseed crops.

India's imports of food, beverages, and agricultural raw materials in 1965 total \$917 million. This was one-third of the value of imports of all commodities; it was up 10 percent over the previous year. The increase was due mainly to larger imports of grains. Large gains were also shown for fats and oils as well as for fruits and vegetables. Imports of tobacco were nil in 1965, and dairy products were down about one-fourth to \$15.4 million.

U.S. agricultural exports to India totaled \$482 million in 1965 and \$539 million in 1966. The principal products were grains and cotton. U.S. imports of farm products from India--mainly tea, cashew nuts, and sugar--totaled \$86 million in 1965. This compares with \$345 million for all commodities.

India's exports of food, beverages, and agricultural raw materials in 1965 totaled \$680 million. This was down 10 percent from 1964 and was two-fifths of all exports. Tea, the principal export, was off somewhat, but larger percentage losses were shown for oils and oilseeds. The export position of Indian tea has not improved since devaluation because of the simultaneous imposition of an export duty and the withdrawal of export incentive tax credit certificates.

Exports of some relatively small items have grown rapidly in recent years. Some of these may help to provide more foreign exchange for future imports of food and fertilizer.

Karaya and guar gums are needed in larger quantities by industrialized nations. India's exports of onions and vegetables to Ceylon, Singapore and the Middle East have been increasing. Exports of jams, mostly mango, are now approaching \$1 million. Many items used by pharmaceutical manufacturers in industrialized nations are obtained from tropical plants in India.

India's imports of 2.4 million tons of fertilizer preparations in 1966 were triple the arrivals in 1964. The major suppliers in 1966 were: the United States 1.1 million tons; Common Market countries, 727,000 tons; the USSR, 171,000; and Japan, 176,000. Loans from international development banks enabling India to import over \$150 million worth of fertilizer annually should result in improved yields in the future. (John B. Parker, Jr.)

INDONESIA

Economic conditions: Inflation, the most alarming feature of Indonesia's shattered economy, reached fantastic heights in mid-1966, but a year-end decline in the rate of increase raised some hopes of eventual control. To illustrate the extent of the inflation, a base index of 100 was assigned to consumer prices prevailing in 1957 and early 1958 in the nation's capital. In July 1966 the food index was 145,760, housing 115,880 and clothing 235,640.

Other symptoms of economic distress were many. Of 50,000 miles of roads built for vehicular traffic, a 1966 estimate showed 85 percent impassable or barely passable. Almost two-thirds of the country's trucks were immobilized. In Djakarta, mass transportation almost became a thing of the past with 80 percent of the buses sidelined.

As the production of coal continued to fall and spare parts became harder to get, railroad schedules fell below half the level existing before World War II, and vital inter-island shipping was curtailed sharply. Transportation of food to the population centers, of export products to the ports, and fertilizer and other necessities to the interior became a mounting problem. The supply of electric power

and light dwindled and blackouts became routine.

Textile mills, the most developed of Indonesia's manufacturing enterprises, either closed down or reduced output to 20 percent of capacity as supplies of cotton neared exhaustion in the third quarter of 1966.

The major producer of soap, margarine, and cooking oil--in a state of decline since its foreign managers were forced out in 1965--reduced output to a trickle owing to financial troubles caused by inflation and price controls. Two large Government-operated tire factories cut back operations until production was less than 40 percent of capacity.

Some cheer was provided by reports that a large cement plant, crippled by mechanical troubles earlier in the year, has resumed nearly normal operations.

Declines in basic industries outbalanced gains between 1964 and 1965. The output of oil, forest products, coal, and tin concentrates was down; output of fisheries products, bauxite and manganese was up.

Although production of petroleum fell from 47 million barrels in the third quarter of 1965 to 40 million in the second quarter of 1966, both the industry and high government officials were excited by reports of off-shore oil strikes and the rush of 15 foreign firms to win exploration and development rights. One Japanese and two American companies signed tentative production-sharing contracts, subject to cabinet approval.

After a decade of neglect, the economy in 1966 was saddled with overseas debts of \$2.5 billion and no means to pay. With arrears of \$100 million at the end of 1965 and another \$400-plus million due in 1966, country after country refused further credits and denied the use of unexpended portions of existing agreements.

The new governing group initiated action to stop the deterioration in the economic situation. The costly confrontation with Malaysia

was ended and some trade and normal communications were resumed with Singapore. The new cabinet decreed the return of all foreign property--including a large U.S. owned rubber estate--seized in 1963. Indonesia returned to the United Nations, and concessions were promised to overseas investors to encourage the inflow of capital and the development of new industries.

Non-Communist nations were quick to respond. Japan reactivated a yen credit equivalent to \$30 million for purchase of textiles, spare parts and other essentials. Other countries followed suit. The United States granted long-term credits for the purchase of 100,000 tons of rice and 225,000 bales of cotton under provisions of P.L. 480.

The seven major Free World creditors--Japan, the United States, West Germany, France, the Netherlands, Italy, and Great Britain--voted at a mid-December meeting in Paris to give Indonesia up to 12 years to pay \$350 million already in arrears or coming due in 1967 on a combined debt of \$1 billion. They also agreed to another meeting to discuss new credits of upwards of \$200 million to finance essential imports and to pump new life into the battered economy.

Russia and its East European satellites, owed \$1.2 billion mostly for military equipment, appeared ready to make similar concessions.

Agricultural production: The most promising attack on one of the basic ills of Indonesia's foundering economy--low rice yields on good land--is proving its worth and gaining momentum in Java and on some of the Outer Islands.

A new agricultural project named "Bimas," supervised by 1,150 specially trained agricultural students, was credited with almost doubling the output of paddy rice on 220,000 hectares in the 1965/66 crop year.

The students, who had authority to take individual problems directly to top village officials, were assisted by 3,000 extension agents, 30,000 cooperative workers and 40,000

outstanding farmers. Each received at least 80 hours of classroom instruction. In addition to supervision in the fields, the students also had responsibility for distribution of fertilizer, new strains of seeds, and pesticides purchased with interest-free Government credits.

The project will be continued and expanded. Its success contributed substantially to Indonesia's total 1966 rice production of 15.5 million tons of paddy, a new peak for the second year in a row.

Cassava roots and sweetpotatoes, both eaten domestically as a supplement to rice, seemed to be in good supply as the 1966 production of both was estimated slightly higher than in 1965. The output of tea and coffee, both potential earners of foreign exchange, drifted along at about the 1962 level.

Output of rubber--the nation's main money crop--remained relatively high in 1966 despite lack of an effective program to replace aging trees with high-yielding new growth. The estimated 660,000 tons was only 2 percent below the unexpectedly large production of 1965 and well above 1963 and 1964.

Agricultural trade: Indonesian overseas trade--virtually at a standstill in early 1966 because of a freeze in credits and near exhaustion of foreign exchange--recovered decisively as the political environment improved. Nonpetroleum exports reached \$360 million at the end of the third quarter, equal to the target set by the new Government for the whole year.

Imports of rice fell to 190,000 tons in 1965 from an average of more than 1 million tons in the previous 5 years. The goal for 1966 was 340,000 tons. Although 1965 and 1966 were good crop years, this amount was reported essential to prevent a breakdown of the ration program for the military and civil service in view of the continuing deterioration of transportation facilities and the increasing difficulty of moving domestic rice. One of the chief worries of the new Administration was to schedule rice import arrivals during 1967's first quarter, the lean months just before the marketing of the main domestic crop.

U.S. agricultural exports to Indonesia shrank from \$44.1 million in 1963, to \$15.7 million in 1964, and \$1.6 million--almost all for relief or charity--in 1965. In recent years most of our shipments of agricultural products to this country have been under provisions of P.L. 480.

With a new Administration in power in Indonesia, the United States granted emergency low-interest credits in 1966 for purchases of rice and cotton to ease the inflationary pressure exerted by an acute shortage of consumer goods, of which textiles are among the most important.

As Mainland China shifted purchases to Singapore because of the chill in relations with Indonesia, rubber exports declined in December 1965 and early 1966, but expanded markets elsewhere soon began taking up the slack.

Government approval for construction of a large rubber processing mill by a Swiss firm eventually may permit Indonesia to command better prices for its exports.

Indonesia's output of centrifugal sugar was expected to rise enough to permit 1966 exports to better the 1965 volume of 165,000 tons.

Although world demand remained strong and prices trended up, exports of palm oil fell from 130,000 tons in 1964 to 110,000 in 1965, scarcely topping the 1955-59 average. Exports of copra also were down. (Goodloe Barry)

JAPAN

Economic conditions: The overall economy in 1966 resumed vigorous growth following a period of recession which began in 1964 and continued in 1965. Only a few industries, including cotton textile manufacturing, have not shared fully in the latest economic boom. GNP increased in 1965 by 9 percent to \$83.9 billion dollars with an estimated real growth rate of about 5 percent.

Agriculture's relative position in the national economy continues to decline. Farm income currently accounts for about 12 percent of national income compared to 20 percent in 1956. Increased numbers of farm households are supplementing farm earnings by working at nonfarm employment.

Consumer prices continue to rise in line with a pattern of higher price trends which have developed over the past 5 years. Consumer prices in urban areas averaged about 5 percent above calendar year 1965 while increases since 1960 have totaled 40 percent. Almost half of this increase in consumer prices is attributed to increases in foodstuffs derived from agriculture or fisheries.

Agricultural production: The quantity index of farm production in 1966 will remain at about the same level as 1965. There was a fairly large rice crop, fruit output increased, and pork, milk and poultry meat production gained, but total output of most of other commodities declined.

The 1966 rice crop is estimated at 12.7 million tons (brown rice basis), or 336,000 tons above the 1965 crop and well below the record 1962 crop. This harvest was obtained from about the same acreage planted in 1965. Higher yields resulted from the generally favorable weather throughout most of the growing season. Wheat production, on the other hand, has been at low levels since 1962, and the 1966 crop is estimated at 1.025 million tons or 21 percent below the 1965 harvest. Early forecasts of the 1967 crop indicate only a slightly larger crop than in 1966. Consumption of wheat continues to rise and is estimated at 5.1 million tons for 1966/67.

Increased fruit plantings and production have been the outgrowth of Government policy adopted in 1962. Ten-year targets were set for all important fruits grown; many of these targets were reached in 1965 and 1966. With the exception of apples, 1966 production of all major fruits was good. Satsuma orange production exceeded 1965 by about 25 percent, Japanese pear production was up 9 percent, and increases are reported in 1966 grape and peach crops.

Milk production reached 3.2 million tons in 1965 and is estimated at 3.5 million tons in 1966. Consumption of fluid milk has been increasing at about the same rate as production during the past 2 years. Some of this increase in consumption is believed to be linked to the Government's new policy of increased purchases of domestic fluid milk for use in the school lunch program. Pork and lard production for 1966 are both estimated at 27 percent above 1965 levels. Output of poultry meat increased substantially.

The Government's policy of controlled prices to producers and fixed prices to consumers continued in 1966/67. Price controls prevail for production and distribution of rice, wheat, barley, sugar, soybeans, rapeseed, and potatoes but are becoming more difficult for the Government to administer and at the same time curb inflation. The farm price for the 1966 rice crop (available to consumers in 1967) was set at 17,877 yen (\$49.66) per 150 kilograms of brown rice. This price converts to about \$364 per ton (milled rice). Consumer rice prices are increased annually by the government to offset subsidy payments from the National Treasury. Proportionately consumer prices for rice are now higher than for wheat products and the demand for wheat is rising sharply.

To encourage livestock production, a government program is aiding in the establishment of high-quality pastures. Larger imports of grass seeds occurred in both 1964 and 1965 with the United States supplying about three-quarters of this trade. The Government is also importing quality breeding stock which will be used by the Ministry of Agriculture and Forestry on breeding stations. In the imports of breeding swine, there was a sharp shift in 1966 from European breeds to U.S. Hampshires, probably as a result of the U.S. exhibits in the 1965 International Livestock Show.

Poultry and poultry meat production have made dramatic increases in both 1965 and 1966. Poultry numbers are well on the way toward a targeted goal of 140 million by the early 1970s. A new policy, initiated by the Ministry of Agriculture and Forestry for

1966/67, provides for an egg price stabilization scheme, controlled production and marketing, and payment of subsidies for storage of eggs during peak production periods.

Agricultural trade: Because of the increased industrial activity and record exports of manufactured products in 1966, the demand for agricultural foodstuffs and industrial raw materials will set new records in 1966 and probably continue upward in 1967.

The United States should benefit from the growing market for imports. Japan is the largest commercial market for U.S. wheat, corn, cotton, soybeans, and grain sorghum. Japanese imports of U.S. farm products for 1966 totaled \$1,090 million, c.i.f. basis, 12 percent over the 1965 level.

The price of bread is lower than that of rice, and consumption of wheat products has increased sharply. The Japanese Government has, therefore, announced substantial imports of wheat for the 1966/67 (April-March) year--totaling about 4.1 million tons or about 16 percent above 1965/66. Wheat imports for 1967/68 are expected to increase another 6 percent. Currently, the United States is furnishing Japan with about 50 percent of its imported wheat.

Competition for U.S. agricultural exports in the Japanese market is increasing. Japan has encouraged the development of corn production in Thailand and in 1966 imported 967,000 tons from that country. Outstanding contracts indicate imports of 20,000 tons of corn from Indonesia during 1966 as compared with 4,000 tons in 1965. Imports of corn from Mainland China totaled 145,000 tons in 1966. Japanese importers are also active in promoting grain sorghum production in Thailand for export to Japan.

The Ministry of International Trade and Industry plans to establish a Development and Import Promotion Public Enterprise Corporation in 1967/68. The aim of the organization is the long-range development of production of commodities in less developed countries for export to Japan. Commodities emphasized are corn, grain sorghum, and oilseeds. The coun-

tries being considered as potential areas of greater development are Thailand, Cambodia, Indonesia, Uganda, and Tanzania.

Political difficulties in Mainland China may affect the amounts of corn and soybeans which Japan will obtain from Mainland China in 1967, but early estimates indicate deliveries of about 100,000 tons of corn and about 300,000 to 400,000 tons of soybeans. Japan imported 393,000 tons of soybeans from this source in 1966. (Mary E. Long)

SOUTH KOREA

Economic conditions: The South Korean economy in 1966 showed strength unimagined a decade ago. All sectors of the economy progressed at a notable rate, and production and returns should set new records. Further, the patterns for domestic progress established during recent years hold promise of greater gains for the remainder of the decade.

Today, although there is considerable unemployment and the annual per capita income still averages only about \$110, the general well-being of the South Korean people is higher than ever. The country's economic growth, based largely on industrial expansion, has ranged around 8 percent in each of the past 3 years. The outlook is that this rate will be sustained.

The second 5-year economic development plan (1967-71) projects a compound annual growth rate of 6 percent. Specific targets include self-sufficiency in food, development of marine resources, investment emphasis in such industries as chemicals, machinery, iron and steel, and improving the balance-of-payments situation. According to the plan, in 1971 imports of agricultural products under P.L. 480 are expected to be negligible.

Broad economic progress achieved by South Korea during the First Five-Year Plan (1962-66) lends belief that bold goals set for the Second Five-Year Plan (1967-71) can be met. One of the most significant goals set for the agricultural sector in the new plan is self-sufficiency in grain crops by 1971. Total grain

production must increase 44 percent to fulfill this target. Success depends on effective expansion and renovation of irrigation facilities, land reclamation and rearrangement of crop-lands, seed improvement, control of plant pests and disease, increased double-cropping, deep plowing and adequate programs for agricultural technology and extension services. Industrial crops under the plan are expected to increase spectacularly. Domestic fertilizer production is expected to increase 400 percent.

Gold and foreign exchange holdings rose from \$146.3 million at the end of 1965 to \$245.0 million at the end of 1966, a gain of 67 percent. Leading causes of this rapid gain were increased exports and increased wage returns from almost 50,000 Koreans working in foreign countries.

Agricultural production: Rice dominates the agricultural economy of Korea, accounting for over half the total value of farm production. Generally the country is self-sufficient in rice; in some years it has exported small amounts. Paddy production for 1966 is now estimated at a record 5.6 million tons compared with 4.8 million in 1965 and the previous record of 5.4 million in 1964.

Rice exports go chiefly to Japan. Some 60,000 tons were exported from the 1965 crop, but last August shortages began to appear, and it was necessary for Korea to purchase 30,000 tons of milled rice from Taiwan before the bumper 1966 crop was harvested and available for consumption.

Barley is Korea's second most important crop. Production in 1966 was 10 percent above the 1965 harvest of 1.4 million tons. Barley is consumed mainly as a substitute for rice and traditionally has been the basic food of those who could not afford rice.

Rice production in 1967 should be higher than the 1966 level, but barley production likely will not equal the unusually good crop of 1966. Grain prices paid to farmers in 1966 were slightly higher than those paid in 1965, but did not reach the 1964 peak. Prices farmers

received for fruits, vegetables, poultry, and animal products were above all previous levels, and production of these commodities is expected to expand in 1967.

Agricultural trade: South Korea's foreign trade expanded greatly during the 1960s. Imports consistently exceeded export values, and although exports rose sharply since 1960, a large import balance persists. Total exports in 1965 were \$175 million and are expected to approach \$250 million in 1966. Imports in 1965 were \$450 million and could top \$550 million in 1966.

South Korea's exports of food, beverages, and agricultural raw materials in 1965 amounted to \$43.8 million, about 11 percent higher than the previous year. Fish and fish products provided almost 50 percent of this total. Fruit and vegetable exports have increased in recent years, and currently provide about 15 percent of total agricultural exports. Agricultural exports are expected to advance another 10 percent in 1966. The United States is not a significant importer of South Korea's agricultural products.

Of total 1965 South Korean imports valued at \$450 million, 55 percent consisted of commercial imports. Imports financed by U.S. aid amounted to 30 percent, and 15 percent were financed by other sources. The United States supplied over 40 percent of South Korea's total imports of which about 15 percent were commercial.

U.S. exports to South Korea in 1965 totaled \$200 million. Agricultural products accounted for \$95.8 million, down about \$17 million from the previous year. Principal U.S. agricultural exports to South Korea in 1965 were cotton (\$36.7 million), wheat (\$28.3 million) and wheat flour (\$10.2 million).

South Korean imports during the first half of 1966 amounted to \$300 million with the United States supplying 40 percent and Japan claiming 38 percent. Commercial imports by Korea during this period were higher than the corresponding period in 1965. Because of increased cotton replacement imports and imports of scrap metal, the U.S. share of South

Korean commercial imports increased slightly to 14 percent as compared with 11 percent during the first half of 1965. As part of the Second Five-Year Plan, South Korean officials anticipate that Korean imports financed with foreign exchange will advance from the present 55 percent level to 70 percent in 1971.

As an effort to strengthen international monetary ties and promote export trade, the South Korean National Assembly in July 1966 passed a law establishing a foreign exchange bank. The bank, an amalgamation of the Bank of Korea's departments of foreign affairs and foreign fund operations, will handle affairs concerning external trade financing and foreign exchange operations. (William Logan)

MALAYSIA AND SINGAPORE

Economic conditions: Bedeviled by the falling prices of vital rubber exports and the rising cost of necessary imported rice, each country acted in its own way to solve the problem.

Malaysia assigned almost a quarter of its public sector expenditures of \$1.5 billion in its new 5-year development plan directly to assistance of agriculture. Rural communities will greatly benefit indirectly from the 34 percent of the funding allotted to roads, utilities, and communications as well as the 24 percent going to education, health, and social services.

To increase its income from tariffs on imports, Malaysia eliminated Commonwealth customs preference on a wide range of items which included sugar, tobacco, and textiles. This action increased the difficulties of Singapore traders seeking to sell in Malaysia.

Singapore is emphasizing the improvement and expansion of its port (already the fifth-largest in the world), extension of the infrastructure to support its growing industrial base, public housing, and development of overseas market for the products of its many new factories and mills.

Agricultural production: Malaysia is striving to become self-sufficient in the production of rice and to reduce its dependence on rubber as an earner of foreign exchange.

To boost its output of rice, Malaysia is pinning its faith on two massive irrigation projects to permit double-cropping of 310,000 acres of land, some of it now growing only one crop and some of it new land. A Japanese engineering firm with a \$20 million contract already has begun work on dams, reservoirs and tunnels for the 260,000-acre Muda River complex. A second project--to cover 50,000 acres--completed the planning stage and received assurance of a World Bank loan to cover foreign exchange costs. Despite torrential rains which damaged 50,000 acres, the 1966 production of rice in West Malaysia hit a new record of 903,000 tons of paddy.

Under its new development plan Malaysia is subsidizing the planting of higher-yielding rubber trees to reduce production costs and compete with synthetics. At the same time the Government is encouraging diversification of cash crops with present emphasis on oil palms and pineapples.

The 1966 output of palm oil was 173,000 tons, up 17 percent from 1965 and 180 percent from the 1955-59 average. Continuing its recovery from near extinction following World War II and the subsequent Communist guerilla activities, the production of fresh pineapples rose to 345,000 tons, an increase of more than 40 percent in 4 years. Harvests of sweet-potatoes, coconuts, fresh vegetables, and bananas were very slightly up or unchanged from the previous year.

Agricultural trade: Although Malaysia and Singapore imposed a number of customs restrictions against each other following their separation, trade between them seemed to rise rather than fall. Compared with January through July 1965, the last 7 months before the split, Mainland Malaysia's January-July 1966 imports from Singapore slipped off \$4 million but exports rose a substantial \$15 million. (These 7-month figures do not reflect the consequences of Malaysia's partial elimination of Commonwealth preferences in the autumn of 1966, an action which many Singapore traders view with apprehension.)

While Malaysia's overseas trade in this same period held firm, Singapore's exports

increased by \$110 million--more than 25 percent--and imports were up \$33 million for a sharp improvement in Singapore's unfavorable balance of trade. Much of the export boom consisted of materials shipped to South Viet Nam including lumber, timber, plywood, prefabricated building materials, and cement.

A further spur to the economy was the heavy buying of rubber by Russia, which in the first 6 months of 1966 took as much as the United States and Great Britain combined, formerly the No. 1 and No. 2 customers.

In New York the price of standard rubber fell 3 cents from the January average to the October low. Prices recovered a third of the loss in the month following a U.S. announcement that it would suspend stockpile sales of surplus rubber for the remainder of 1966 and would reduce offerings by 50,000 tons a year when the disposal program was resumed in 1967.

With improvement over the disappointing domestic harvest of 1964, imports of rice by West Malaysia and Singapore fell off by 100,000 tons in 1965. Total imports were about 500,000 tons, 10 percent of which was re-exported.

Malaysia's diversification program showed results in the 1965 exports of palm oil--140,100 tons, a gain of 69 percent in 4 years.

Exports of canned pineapples from Mainland Malaysia and Singapore rose 23 percent to 66,150 tons in 1965. The best sales gains were in West Germany, Canada, and Great Britain.

U.S. agricultural exports to Malaysia and Singapore in 1965 were valued at \$14.8 million, up \$2.5 from 1964. The greatest gain was made by flue-cured tobacco, the value of which rose from \$4.8 million to \$5.6 million. Even greater growth may be possible in the future, since tobacco is one of the more important items from which Malaysia has removed Commonwealth tariff preference. U.S. exports of raw cotton rose 80 percent to \$530,000 and could go higher if the textile mills add spinning facilities as planned.

With the opening in October of what is said to be the largest flour mill in Southeast Asia (output 550 tons a day) and four smaller mills already in operation, continued rising imports of wheat may be expected. U.S. wheat exports to Malaysia and Singapore were valued at \$530,000 in 1965, a jump of \$320,000 from 1964.

The value of exported U.S. dairy products and fresh or frozen chicken each rose \$200,000 in 1965. Fruits, juices and other fruit preparations increased only slightly. Canned vegetables, catsup and other tomato preparations slipped. (Goodloe Barry)

PAKISTAN

Economic conditions: Industrial output increased in 1966 but the value of food crops remained about the same because of a smaller wheat crop. The cotton harvest last year was about 4 percent above 1965; and the output of canned fruits and vegetables increased.

The GNP of Pakistan increased from about \$92.4 million in 1964/65 to about 97.4 million in 1965/66. Growth in light industries and in incomes of salaried employees accounted for most of the gain. Since 1960 the output of refined sugar, cigarettes, canned vegetables, and other items has more than tripled. During the Third Five-Year Plan which began July 1, 1965, industrial growth of 10 percent annually is expected.

The consumption of rice has increased by more than 50 percent since 1958 in East Pakistan and the consumption of wheat in West Pakistan was increasing rapidly through 1965, partly because of growing imports. Smaller arrivals of wheat from the United States under P.L. 480 caused the consumption of products made from wheat to decline in 1966. Pakistan's farmers supplied more than 90 percent of the country's grain requirements in 1966.

A large new fertilizer factory has been built in West Pakistan by an American firm at a cost of over \$30 million. Several other fertilizer factories in West Pakistan which produce nitrogen fertilizers are expanding. The

Japanese are constructing a new fertilizer factory in East Pakistan. The new plants are expected to enable Pakistan to produce over 1 million tons of chemical plant nutrients by 1968. Pakistan was the second largest export market for American fertilizers in 1966. Over \$50 million in farm chemicals were imported by Pakistan last year.

Pakistan's imports exceeded \$1 billion in 1965 and were at the annual rate of \$860 million in the first 9 months of 1966. The largest imports are machinery, wheat, rice, and vegetable oils. In 1963 and 1964 over 95 percent of the wheat imports were received from the United States under Title I of P.L. 480. Exports of jute, cotton, and products manufactured from these fibers increased in 1966. Exports of manufactured items are also increasing because of the growing demand in oil-rich countries near West Pakistan. With increased earnings of foreign exchange in 1966, over one-third of the wheat imports were for cash.

Agricultural production: The area planted in rice in 1966 was slightly less than in the previous year. Rice production was unchanged from the 17.8 million tons of paddy harvested in 1965. Dry weather reduced the harvest slightly in Bengal, but production in the Dacca area was higher. Rice usually accounts for about half of the cropland planted during the summer. Most of the rice is grown in East Pakistan where relatively level fields are flooded during the monsoon season.

The production of sugar increased about 5 percent in 1966. In the last decade, sugar production has more than doubled while the production of grains has increased by almost 44 percent. Through more extensive use of improved seeds and fertilizer, Pakistani farmers hope to obtain better yields in the future.

All of the Pakistani jute is grown in East Pakistan. Production has not increased in proportion to the increase in area planted. However, increased yields are expected from new varieties being introduced. Thus, an upward trend in production is expected. Pakistan's cotton production increased last year because

of improved yields. The average yield increased from 237 pounds of lint cotton in 1965 to 246 pounds in 1966. About half of the 2 million bales (480 pounds each) harvested in 1966 are scheduled for export.

With another dry year the 1967 wheat crop in the fertile grain area of West Pakistan is estimated to be no better than the 4 million tons harvested a year ago. With more irrigation water and fertilizer, the output of pulses, oilseeds, and vegetables during the periods when the land usually lies fallow has been increased by some farmers near the cities.

Agricultural trade: Jute and jute products usually account for about half of Pakistan's total exports, which totaled \$527.6 million in 1965 and reached a record of \$605 million last year. Larger exports of cotton, rice, and oilcake have enabled Pakistan to depend less upon jute exports in recent years. Exports of fruits and tea have increased recently. Markets in Asia and Africa take most of Pakistan's exports of jute sacks.

Exports of long grain rice exceeded 145,000 tons in 1966. Imports of lower quality types of rice by East Pakistan are usually about the same in quantity as exports by West Pakistan. In 1966 Mainland China supplied Pakistan with about 100,000 tons of rice. From 150,000 to 200,000 tons of rice were imported from Burma until 1965, when such imports declined to only 52,500 tons.

Imports of wheat and wheat flour declined from the record 1.7 million tons in 1965 to about 1.3 million tons in 1966. The United States has supplied over 85 percent of Pakistan's wheat imports in recent years. Arrivals of wheat from the United States under Title I of P.L. 480 in 1966 were much smaller than the level during the 2 previous years. Total imports of wheat from the United States declined from about 1.6 million tons in 1965 to about 1.1 million tons in 1966. Arrivals of Australian wheat increased from about 55,000 tons in 1965 to 196,000 tons in 1966.

Imports of soybean oil increased from \$3.7 million in 1960 to a peak of \$29.3 million in 1963 and remained high at \$27.4 million in 1965, but declined to \$8.5 million in 1966. Imports of cottonseed oil ranged from \$3 million to \$7 million annually from 1961 through 1965.

Larger imports from the United States caused the value of tallow imports to reach \$8 million in 1965. Larger commercial purchases of tallow from the United States and Europe were reported in 1966.

Imports of grapes from Afghanistan and apples from Lebanon are increasing. More dried dates from Iraq and raisins from Afghanistan have been imported in recent years.

Jute exports during the year ended June 30, 1966, reached a value of \$205.3 million, although the recent shift has been from raw jute sales to the marketing of jute products. The leading export markets for raw jute were the United Kingdom, Belgium, France, West Germany, Mainland China, and the United States. Over the last 3 years, exports of raw jute have increased about one-fourth while exports of jute products have more than doubled. Pakistan's exports of Jute manufactures totaled \$92.5 million during 1965/66. The leading markets were the United States, West Africa, Australia, Southern Africa, and the United Kingdom. The demand for jute bags in cotton-producing countries of Africa is increasing rapidly.

Exports of cotton by Pakistan in 1965/66 were less than the peak value of \$73.5 million in 1962/63. Hong Kong and Japan accounted for about half of Pakistan's cotton exports last year. Mainland China, the United Kingdom, and Poland are also major markets for Pakistan's cotton.

Pakistan's rice exports in 1965/66 reached \$26.7 million, including \$10.2 million for Kuwait and \$6.1 million for shipments to the USSR. Shipments to the USSR in late 1966 were double those in the first 6 months of the year. The basmati extra-long-grain rice from West Pakistan is a favorite food in Bahrain, Saudi Arabia, and other parts of the Arabian Peninsula.

Exports of wool, quar gum, hides and skins, sheep casings, seeds, and fruits combined account for about \$30 million of Pakistan's foreign exchange earnings annually. The United Kingdom, the United States, Japan, the European Common Market, and Arab countries are growing markets for most of these products. Exports of processed foods and fruits to Afghanistan, India, Kuwait and the Arabian Peninsula are increasing.

U.S. agricultural exports to Pakistan declined from \$140.1 million in 1965 to \$72.5 million in 1966. The decline in wheat from \$92 million in 1965 to \$49.2 million in 1966 resulted from smaller shipments under Title I of P.L. 480. (John B. Parker, Jr.)

PHILIPPINES

Economic conditions: An energetic new Administration goaded the listless Philippine economy into forward movement in 1966.

An easing of credit and a tightening of customs procedures to reduce misrepresentation and undervaluation of competing imports were a boon to the ailing textile industry which traditionally buys much of its cotton from the United States. Anti-dumping penalties imposed on foreign shippers improved the market for domestic flour mills, which use a high proportion of U.S. wheat.

Disturbed by an 11 percent rise in the consumer price index in Manila, the President ordered a revision of the Four-Year Development Plan (1967-70) to give more emphasis to projects aimed at increasing the production of food crops--particularly of rice which perennially is in short supply.

The Government has pledged \$950 million for economic development under the revised plan. Of this, 25 percent has been allocated directly to agriculture. Another 43 percent, in the public works budget, will primarily benefit the rural economy.

Bolstering land reform measures to convert sharecroppers and lease holders to independent owner-operators, is a low-cost

credit program to facilitate purchase of fertilizer and pesticides by 435,000 farmers working 930,000 hectares of rice land. Planners estimate a near doubling of output in this area.

Agricultural production: The first major act passed by the 1966 session of Congress raised the support price of rice and corn. Further indication of the new Administration's interest in attaining self-sufficiency in staple food crops was the halving of the import duty on small tractors and an emergency allotment of \$5.4 million to speed repair of irrigation facilities. This was in addition to the Public Works Bill's \$21.3 million, much of which must await financing from bond issues or loans.

Other funds were made available to long-range agricultural development on a pilot-project basis in a compact group of seven economically depressed provinces. Priority goes to improving roads and building bridges for access to isolated farm communities; expanding extension services, and providing better seeds and liberal credit for fertilizer to farmers, who in the past have paid money lender rates as high as 10 percent a month.

Production of rice in 1966 increased 3 percent above 1965 but was estimated at 300,000 tons below needs. Corn made a good gain, and the other food crops also were moderately larger.

The coconut harvest was bountiful, permitting an increase of nearly one-fourth in the production of copra. The output of native leaf tobacco also was up. Declines were registered for sugar, abaca, and Virginia-type tobacco.

The output of sugar was reduced by unfavorable weather and a smaller planted area. Much abaca went unharvested because of falling global demand. Farmers planted less Virginia tobacco because of an exceptionally large carryover from the previous year.

Agricultural trade: The value of U.S. shipments to the Philippine market in 1965 was \$68 million, gaining more than \$6 million for the second consecutive year.

Most of the increase came from larger U.S. exports of wheat and soybeans which more than canceled out declines in rice and cotton. Fruit and fruit products--with orange juice and raisins leading the way--were up \$0.5 million. The value of inedible tallow rose \$0.2 million and dairy products, already high, about half as much.

Coconut products in 1965 continued as the Philippines' most important export with a value one-third that of all exports. Registered shipments of copra in 1965 were down 3 percent from 1964, but a striking recovery in the first 10 months of 1966 brought a 16 percent increase from the comparable period of 1965. Coconut oil shipments, almost the same in 1964 and 1965, soared 37 percent in the 10-month period of 1966.

Because of the short sugar crop, the No. 2 export, the Philippines was compelled to decline half of a 200,000-ton additional quota in the lucrative U.S. market. As the industry struggled to fill its basic quota plus the reduced supplementary allotment, fears of a domestic shortage spread and Manila newspapers reported the beginning of large scale hoarding. Sugar exports in 1965 were 1 million tons, 7 percent below 1964.

A slackening demand cut the volume of abaca exports 15 percent in 1965. A decline of 30 percent in the value reflected the sharply lower prices paid. (Goodloe Barry)

TAIWAN

Economic conditions: Taiwan's impressive progress in economic development during recent years continued at a high level through 1966. Gross national product increased 10 percent in 1965, and is believed to have increased by another 7 to 10 percent in 1966. Agriculture's contribution to net domestic product decreased from 34 percent in 1955 to 27 percent in 1965 while the industrial contribution increased from 25 percent to 27 percent.

Per capita income in Taiwan has increased steadily for the past decade, but wage

rates are still low enough to help attract foreign investment. Per capita income was \$174 in 1965 and topped \$180 in 1966. Continued increases are expected in the future.

Taiwan's unofficial population planning program is showing signs of success. The population growth decreased from a peak 3.9 percent in 1959 to an estimated 3.0 percent current rate.

Agricultural production: Growing conditions in Taiwan during 1966 were generally good, but an excess of rain during the early part of the year restricted the first rice harvest. Typhoons, an annual occurrence in Taiwan, reportedly leveled 30 percent of the banana crop at midyear, but damage was not permanent and total production in 1966 was higher than in 1965. Weather during the second half of the year was good, and the second rice crop turnout was the highest ever. Total paddy rice production for 1966 will run about 130,000 tons higher than 1965 and establish a new record. Government efforts to reduce the 1966 sugar crop were not as successful as intended, since the weather which curtailed the first rice crop benefited the sugar crop. Mushrooms, harvested in late November, may just barely meet foreign demand because of farmer reluctance to contract long-term price arrangements. Asparagus, on the other hand, might suffer from overproduction, and officials are taking steps to discourage further increases in production.

The principal agricultural problem facing Taiwan in 1966 was that of low sugar prices.

Important factors sustaining Taiwan's agricultural success are land reform, technological advances, and the development of farmers' organizations. As a result of the 1953 Land-to-the-Tillers Act, 87 percent of the farmers now own and till their own farm. Technological advances achieved in Taiwan include many practices employed by the most advanced countries. There have been notable results from introducing new crops, fertilizers, better seeds, water conservation, and pest and disease control. Significant in Taiwan

is the speed of communication between technological centers and the highly literate farm areas. Farmers' Associations, based on sound organization, can claim much credit for this. Farmers' Associations permeate Taiwan's 360 townships and aid in storage, credit and agricultural extension. There are 3,500 monthly extension courses attended by over 600,000 farmers, and 4,000 model farmers assist their associations by carrying out experiments which benefit all.

U.S. technical and financial assistance in the agricultural sector has been administered primarily through the China-United States Joint Commission on Rural Reconstruction (JCRR). This semi-autonomous Sino-American cooperative effort, operating continuously over the past 16 years, has been the key factor in helping the people help themselves.

Agricultural trade: Taiwan's imports exceeded exports in 1965, as they have each year except 1964. An unfavorable balance of \$106 million was due primarily to the low world sugar price and high demand in Taiwan for imported capital goods. Returns from sugar reached a peak of \$128 million in 1964, but dropped 58 percent to \$53.8 million in 1965 although the volume exported was off only 7 percent. Import of capital goods--the only import category to show an increase in 1965--advanced \$61 million over 1964 levels to a record \$163.9 million.

Total 1965 imports of \$556.4 million were one-third higher than 1964's previous peak. Raw cotton, wheat, soybeans, and smaller quantities of dairy products, tobacco, and rubber are Taiwan's principal agricultural imports, but values of these are far outweighed by imports serving industry. Essentially, Taiwan is self-supporting in all agricultural products except cotton and wheat, which constituted 14 percent of 1965 imports.

In 1965, Japan for the second time in more than a decade, replaced the United States as the principal supplier of Taiwan's imports. Japan claimed 37 percent of the import trade while the United States held 34 percent.

Imports during the first 9 months of 1966 were \$413.5 million, a level \$14 million below the first 9 months of 1965. The phase-out of U.S. AID support for Taiwan's import program is progressing: 26 percent of January-September 1966 imports were U.S. AID-financed, compared to 57 percent in the same period of 1965.

Trade breakdowns available for the first 7 months of 1966 reveal that bananas replaced sugar as the principal agricultural export product. In this period banana exports earned \$39 million; sugar exports, \$36 million. None of the world's leading sugar producing countries sells as large a proportion of total production at world prices as Taiwan. With the collapse of this price, Taiwan found itself earning only 50 percent of 1964's returns, yet export volumes in 1966 were higher than ever. The outlook for a rise in sugar prices affecting 1967 trade is not good due to continued world surpluses and pricing disagreements between principal sugar producing nations. Banana trade, then, can be expected to dominate trade returns in 1967.

Banana production in 1965 was about 4 times that in 1960, and exports of 318,000 tons earned \$56.3 million in 1965. Production moved forward in 1966; exports are expected to be up 12 percent in 1966 and still higher in 1967. Government officials regard banana production and trade as a mixed blessing: on the one hand, profits so far have been excellent, but delivery terms, prices, vulnerability to storage problems, disease, and weather could reduce banana trade status overnight. A large part of the 1966 crop, for instance, was destroyed by a midyear typhoon and this possibly staved off overproduction.

Export of vegetables and canned fruit totaled \$58 million in 1965 and may have exceeded \$75 million in 1966. Exports of canned mushrooms, an infant industry initiated during the early 1960s, jumped from \$1.7 million in 1961 to 20.8 million in 1965. Exports of this product matched the 1965 level in the first 7 months of 1966. Canned pineapple exports, valued at \$19 million in 1965, were running 7 percent higher in 1966 than for a comparable

7-month period in 1965. Asparagus is a third canned product moving up sharply in Taiwan's export field. From an export level of \$4,000 in 1963, canned asparagus topped \$11 million in 1965. The volume of asparagus processed in 1966 is expected to be double the 1965 production, but there is serious question whether world demand will absorb this quantity. Sales of this product have been moving primarily to West Germany, where they compete with United States exports. The export outlook for vegetable and canned fruit in 1967 indicates a leveling off of production in response to Government efforts to stabilize quality while preventing overproduction.

Rice is also an important export which during the 1960s provided 3 to 9 percent of total export values. Export of 257,000 tons of rice earned \$43 million in 1965, the highest return ever achieved. Export volumes during the first 9 months of 1966 were about 10 percent behind the 1965 level, but the record harvest of late 1966 should provide increased export volumes for early 1967. If growing conditions are favorable for the first crop of 1967, total rice exports in 1967 should be Taiwan's highest. (William Logan)

THAILAND

Economic conditions: Thailand's economic growth was bolstered in 1966 by record harvests in its top five export crops, good returns from all harvests, and excellent growth in industry. Gross national product in 1966 is estimated to be up 10 percent from the previous year, a better increase than the goal of 7 to 8.5 percent set by planning officials. Gross national product at constant prices grew at an average annual rate of 7.6 percent during 1960 to 1965. The agricultural contribution to gross domestic product decreased from 38 percent in 1960 to 34 percent in 1965, but total dollar value of agricultural production increased 25 percent. Manufacturing output increased 62 percent in value during the same period and accounted for 13.5 percent of GDP in 1965.

Food processing, composed primarily of rice mills, sugar factories, and slaughterhouses, accounts for nearly one-third of all

manufacturing. Tobacco and beverages account for one-fourth. A factory recently constructed by a U.S. company will use 100 percent domestic rubber and may eliminate 80 percent of Thailand's tire import bill valued at \$10 million a year. This could spur rubber production as well as recapture the rubber industry's declining share of total manufacturing. A planned paper mill scheduled to use sugarcane bagasse could have a similar effect on Thailand's cane production and paper import bill. Construction of the paper mill, valued at \$36 million and the largest industrial project in Thailand, is expected to be completed in 2 years.

Gold and foreign exchange holdings at the end of November 1966 totaled \$912 million. This is a sharp increase over the December 1965 level of \$739 million. Reserve levels in 1961 were one-half of Thailand's current position. Strengthening of Thailand's foreign exchange position in 1966 was partly due to the presence of large numbers of Americans stationed in Thailand and American military personnel on leave from South Vietnam.

Agricultural production: Crop production during 1966 was generally excellent and provided good cash returns to farmers (80 percent of total population). During recent years rice prices have been at a high level, allowing farmers to invest in fertilizers and thus increase yields. Cash returns to farmers in 1966 increased sharply. The price of paddy for milling first-grade white rice was \$81.50 per ton in November 1966, up one-third from a year earlier. White rice with 35 to 45 percent broken advanced about one-third during the same period to a November 1966 price of \$70.00 per ton. Both rice qualities are big export items. Price levels through 1967 are expected to go higher, based on projected 1967 Asian rice shortages.

The 1966 rice crop--which will be available for export in 1967--is estimated at 10.5 million tons of paddy. The 1965 crop was 9.6 million tons. Increased use of fertilizer and generally favorable weather provided the current record crop.

Rubber production has increased slightly each year since 1962, but yields are far below their potential. A partial explanation is low price returns from international trade. Annual production increases of 2.5 percent have been the average for the past 3 years, and total tapping of 220,000 tons is expected for 1966. Rubber production through 1967 and 1968 will remain at current levels or just slightly higher as farmers turn to more profitable palm oil production.

The harvest of kenaf in 1966 is estimated at a record 540,000 tons; this could result in a price so low that 1967 planting would be discouraged. Production should level at 300,000 tons in future years.

Corn production in 1966 was double the 1961 harvest and 20 percent higher than that of 1965. A record crop of 1.2 million tons is expected for 1966 and comparable harvests are expected through 1971. Cotton planting is making some inroads on corn land in some areas, but corn production should remain high because of increasing yields. If farmers plant corn in the Northeast region when new irrigation canals are completed, or on land being opened near the Mekong River, these new areas could produce some 200,000 tons, even without fertilizers.

Sorghum production for 1966 is estimated at 150,000 tons, triple the 1965 harvest. Sorghum grows well in the droughty Northeast and makes a good cash crop for farmers. Production of this crop is expected to reach 500,000 tons by 1971.

After a poor price year in 1964, cassava (tapioca) production increased to 2.3 million tons in 1965 and made a further gain in 1966. Price increases spurred planted area 50 percent in 1965, but area is not expected to increase through the rest of the decade. Harvests no higher than 2.5 million tons are projected for 1971. The advantage of this crop is that it doesn't have to be harvested all at one time.

Thailand now has Government support prices for three agricultural commodities; rice, corn and kenaf. A support price for

sorghum may be announced in the near future. Floor prices per ton during 1966 were \$52.50 for 100 percent first-grade rice, about \$40 for corn and \$100 for kenaf. Commercial prices remained substantially higher than floor prices throughout 1966 and are expected to remain at that level or higher through 1967.

Agricultural trade:--Thailand's imports of \$772 million in 1965 exceeded exports by \$150 million. During the first 6 months of 1966 exports reached \$378 million, an increase of 26 percent over the first half of 1965. Imports were 50 percent higher, at \$513 million. This reveals a deficit of \$135 million, over three times the midyear deficit level of 1965. This high level of imports, however, includes goods brought in under foreign assistance. With these deducted, the deficit in the trade account would reduce considerably.

Japan is Thailand's chief trading partner and provides 32 percent of all imports. The United States is the second most important trading partner, and is increasing its share of Thailand's imports. The United States provided 16 percent of all imports in 1964 and 19 percent of imports with a value of \$140 million in 1965.

Agricultural imports from the United States consist chiefly of cotton, tobacco, wheat flour, and small amounts of vegetable fats and oils. Other U.S. products being newly imported for dollars by Thailand are cheese, turkeys, and livestock for breeding.

Agricultural products make up the bulk of all Thai exports, and about 45 percent of total export values come from rice and rubber. Thailand replaced Burma as the world's leading exporter of rice in 1964, and has held that position since. In 1965, Thailand exported a record 1.9 million tons of rice (33 percent of all exports) and in 1966 the level is estimated at about 1.7 million tons. In order to suppress speculation and rapidly rising domestic rice prices during latter 1966, the Government banned rice exports for much of November and December. Although the volume of rice exported declined, foreign exchange earnings from this source were maintained by higher prices. Thai export prices for some grades were 20 percent higher in November 1966

than those of a year ago. Rubber exports provided 12 percent of export values in 1965 and should retain the same status in 1966. The trade outlook for rice in 1967 is excellent due to record harvests and expected high price levels, but future returns from rubber will continue to suffer from low prices.

Corn exports are increasing in both value and volume. Exports of this product dipped in 1965 below 1964 peak levels due to shipping delays, but exports from the 1966 crop should match the record of 1.1 million tons reached in 1964. Japan buys most of Thailand's corn.

Kenaf exports in 1966 are running 15 percent higher by volume and about 25 percent higher in price than in 1965, but record 1966 production could result in a much lower export price in 1967. Kenaf exports should provide 10 percent of total export returns in 1966. Tapioca products contribute about 5 percent of all export values. (William Logan)

SOUTH VIET NAM

Economic conditions: South Viet Nam's economy during 1966 depended heavily upon large inputs of American aid, as hostilities further curtailed agricultural and industrial productivity. The area planted and harvested declined in 1965 and again in 1966. Major problems were noted in transporting agricultural products--especially rice--to deficit areas and cities.

To curb rampant inflation, the Government in June 1966 replaced the multiple foreign exchange rates with a single effective exchange rate of 118 piasters to the U.S. dollar. This represented a devaluation of about 50 percent. This measure, plus other corrective steps taken at the same time, caused rapid commodity price changes throughout the summer and early fall. An index of consumer food prices covering a sample of common foods soared by almost 50 percent between June and September, and then began tapering after the September national elections to moderate but steady increases.

South Viet Nam's international reserves advanced from \$178 million at the end of 1965 to \$299 million at the end of October 1966.

Agricultural production: Rice is the most significant crop in South Viet Nam and provides over two-thirds of the caloric value of the Vietnamese diet. It is planted on over 80 percent of the land devoted to agriculture. Surplus rice production from the Delta region below Saigon was traditionally the only source of rice for export. Beginning in 1964, war-caused disruption of production and of the marketing system resulted in a sharp drop in shipments of Delta rice to Saigon-Cholon. By 1965, the Government was forced not only to prohibit export of rice from the country but to import rice to provide adequate supplies for the population. Imports of rice also served to reduce inflationary pressures. Inadequate production data and obstacles to movement of rice to markets as well as disappearance of rice through unauthorized channels make it difficult to predict future rice availability and import needs. It is believed, however, that import of rice will continue at a high level during 1967.

Rubber production in 1966 dropped to 50,000 tons as compared to 60,000 tons during 1965 and 74,000 tons during 1964. In 1966, only 41,000 hectares were being tapped, about 15,000 hectares less than the year before. It is expected that rubber production and exports will remain at a reduced level until security conditions improve near the rubber plantations and along delivery routes.

Production of other food crops in 1966 was expected to remain approximately at 1965 levels. The outlook for agriculture in 1967 is somewhat brighter than the estimated results of 1966 foreshadow, and can increase markedly as significant areas are pacified.

The U.S. Department of Agriculture announced in October 1966 that it has agreed to conduct a major part of the U.S. Agency for International Development's technical agricultural assistance program in South Viet Nam. AID will maintain overall responsibility for the program and will continue to provide specialists for projects such as fisheries and livestock development. USDA will provide technical assistance in four specific projects: irrigation and agricultural engineering, for-

estry, plant and seed multiplication, and credit and cooperative organizations.

Agricultural trade: South Viet Nam's export position has deteriorated in recent years. Total exports amounted to \$76.7 million in 1963, but decreased to \$35.5 million in 1965. France is South Viet Nam's best customer, taking one-third of total exports; West Germany, Britain, and Japan take most of the remainder. Agricultural products provide over 90 percent of all exports; rubber is by far the principal item. Rice was traditionally second in importance, but none has been exported since 1965. Rubber is expected to remain South Viet Nam's principal export item in 1966 and 1967, but total export values of all products may decrease while hostilities continue to disrupt production, transportation, and marketing.

South Viet Nam's imports have increased markedly during recent years. Total imports in 1964 amounted to \$298 million and reached \$370 million in 1965. Imports in 1966 and 1967 will be at much higher levels. Agricultural products made up about 22 percent of all imports between 1962 and 1965, and are expected to stay at this level or slightly higher in 1966 and 1967.

The U.S. share of South Viet Nam's import trade advanced from 37 percent in 1961 to 48 percent in 1965. Other principal suppliers of imports during this period were Japan, France, West Germany, and Taiwan. The United States in 1965 financed over 70 percent of South Viet Nam's imports.

U.S. exports of all commodities to South Viet Nam in 1965 totaled \$191 million, more than three times the level of 1960. Agricultural products accounted for \$75 million (two-fifths of the total), of which \$66 million moved under U.S. Government programs--mainly Title I, P.L. 480. Title I sales in 1966 were expected to reach \$95 million. In approximate amounts this included 300,000 tons of rice, 90,000 bales of cotton, 140,000 tons of wheat flour, 38,000 tons of condensed milk, and 5,500 tons of tobacco. Rice shipments under Title I are expected to be considerably higher in 1967, but the exact amount is not yet determined. (William Logan)

MAINLAND CHINA

Economic conditions: Mainland China's economy in 1966 continued to make slow progress. Agriculture suffered somewhat of a setback due primarily to a drop in crop production. Increases occurred in the industrial sector about equal to those in previous years or slightly larger, and a slightly smaller increase was registered in foreign trade. The Third Five-Year Plan was inaugurated with the announcement of only broad, vague guidelines. The Government claimed a "great leap forward in production" with advances in quality and variety in the industrial sector. The official assessment for agriculture early in the harvest season was that of a year of "good harvests," but with the intensification of the Cultural Revolution claims of "bumper harvests" were made. Increasing official attention to food problems belie these claims.

The level of consumption in 1966 did not vary significantly from that of the previous year. It was maintained by reduction of stocks of both consumer goods and foodstuffs. Per capita production of many consumer goods, cotton excluded, likely was about the same or possibly less than in 1965. Tight food supplies are being experienced in many areas, and the official admission of reduced grain rations in some areas indicate that food reserves are limited. Peasants were reluctant to fulfill delivery quotas, and the distribution of food supplies has been disrupted by the Cultural Revolution in many areas.

The policy of self-reliance, a continued lack of substantial foreign credit, the increased demand on industries supporting the expanded military effort, and the continued absence of individual material incentives, have had a stagnating effect on agriculture. Efforts of peasants to bring new land into cultivation were not rewarded, and the reclaimed land reverted to public control. Some private plots reverted to collective control. The peasant is apathetic despite the regime's efforts through both the Socialist Education Movement in 1965 and the more aggressive Cultural Revolution in 1966. Major programs aimed at increasing crop output, especially grains, continue to lag.

Agricultural production: The poor showing for agriculture in 1966 resulted from reduced food crops and some industrial crops in the socialist sector and from a less rapid increase in production in the private sector. Production of rice, wheat, and potatoes declined, while coarse grains increased. Soybeans, cotton, other fibers, and rapeseed, fared about the same as in 1965. Some increases were noted, however, for sugarcane, sugarbeets, peanuts, tobacco, and sesame. Reduced production of grains and feed crops likely limited gains in the livestock sector.

Preliminary estimates indicate grain production in 1966 was down somewhat compared with 1965. Production of potatoes, which are included in Chinese grain equivalent computed at one-fourth the gross weight of potato output, also was down. Total grain production, therefore, was down, although increases were achieved in some categories of coarse grains.

Unfavorable weather--mainly dry in 1966--took a heavier toll than usual, but not as much as during 1959-61 according to officials. The adverse effect of weather counteracted beneficial effects of increased inputs such as irrigation and water conservancy, and chemical fertilizers. The supply of fertilizer for the year, including domestic production and imports, is estimated at nearly 9 million tons--some 2 million tons more than in 1965. Smaller crop production could result in increasingly tighter food supplies before the next major harvest in the summer of 1967.

Acreage and yield of winter wheat were reduced due to the extended drought in North China at planting time in 1965 and throughout most of the spring in 1966. Spring wheat--accounting for about 10 percent of total wheat--fared somewhat better. The promising early rice crop, on an expanded acreage, suffered heavy flood damage just before harvest in South China in the Pearl River area of Kwangtung Province. Winter barley was affected similarly to that of winter wheat, and a large part of other winter crop acreage was devoted

to green manure crops. The output of those crops was disappointingly low, probably less than the mediocre harvest in 1965.

Crops harvested in the fall were variously affected by the weather. The intermediate rice crop--largest of the three--was about average. It was affected by drought early in the year in Southwest China and by a later drought which developed in mid-season in parts of Central and East China. The late rice crop also was affected by drought which was serious in large sections in the late rice area of South China, particularly Kwangtung province. This crop may not have fared as well as the intermediate crop. Production of potatoes continued a downtrend due to a decline in acreage; yields likely were down slightly. Production of miscellaneous grain increased significantly, reflecting efforts by the Government to increase the output of corn and kaoliang (sorghum). Increases in miscellaneous grains, however, in 1966 were not sufficient to offset losses of other grain crops.

China's two largest industrial crops, cotton and soybeans, fared only slightly better than food crops, but appeared no more successful than in the previous year. Cotton acreage was less than in 1965, but yields were essentially the same or slightly higher. Few if any changes occurred in the soybean acreage. It is unlikely that favorable growing conditions in the traditional soybean growing area in Northeast China (Manchuria) compensated for the poor results obtained from the drought-stricken production areas in North China.

The severe winter in the livestock areas of Northeast and Northwest China and continued dry weather throughout a large part of 1966 likely slowed the increase of large animals and sheep and goats. Considerable effort was made to sink new wells and to extend the irrigation of pastureland in Sinkiang and Inner Mongolia. Increases in the number of hogs also slowed somewhat, due mainly to price adjustments and shortages of feed.

Per capita availability of food supplies during the consumption year 1966/67--in-

cluding imported grains--is expected to be less than during the previous year. Uneven distribution has occurred in some areas hit hardest by disruptions caused by the Cultural Revolution.

Agricultural trade: China's foreign trade continued to expand in 1966 but at a slightly slower rate than in the 2 previous years. Imports likely exceeded the record of \$2.1 billion reached in 1959. Exports were near the 1959 peak of \$2.2 billion. Imports of foods, primarily grain, continued at about the previous rate of 6 million tons, and imports of chemical fertilizers were the highest on record. Both imports from and exports to the Free World in 1966 were the largest in China's history and accounted for almost three-fourths of China's imports and exports.

Trade with Japan continued to rise at a rapid rate in 1966. China's imports from and exports to Japan have about balanced, and in 1966 they increased roughly 32 and 37 percent, respectively. Both exceeded \$300 million, a record for China under Communist control. Japan and Hong Kong now rank ahead of the USSR as China's major trading partners. Exports to Hong Kong dipped somewhat in the earlier part of the year but came back strong and should exceed the \$407 million in 1965 by about 18 percent, according to preliminary reports. China's trade with Hong Kong is virtually all one-way. China's imports from Canada rose sharply due to increased grain purchases, while trade with Australia declined because of a decline in that country's 1965 wheat crop.

The substantial increase in both imports from and exports to West Germany, the United Kingdom, Italy, France, and the Netherlands in 1965 continued in 1966. This trend also was noticeable between China and certain Near Eastern countries, especially the United Arab Republic and Sudan. China's other Far Eastern trading partners besides Japan and Hong Kong also maintained a high level of exchange. Trade with Cuba and the USSR declined, a slight increase occurred with East European countries, and there was a substantial increase with North Vietnam.

China's exports of textiles and agricultural products continued to increase. Exports of rice increased in 1966, but the major increase in revenue came from the expanding exports of products produced in the private sector. Japan imported 312,000 tons of rice from China in 1966, but agreed to buy only 200,000 tons in 1967. More flexibility in programming foreign trade came with the repayment of Soviet aid debts early in 1965. Also, in 1965, Mainland China gained a favorable balance between imports and exports of agricultural products for the first time since 1960. It appears that this trend continued in 1966. There was a sharp decrease in overseas Chinese remittances from Hong Kong and Southeast Asia.

Agricultural imports in 1965 amounted to almost 40 percent of total imports. Imports of grain (mostly wheat) accounted for the major portion of these, amounting to about

\$400 million, followed by cotton valued at about \$100 million. Another major import was chemical fertilizer valued at about \$140 million. Imports of these items in 1966 likely exceeded these amounts. Imports of grain during the 1966/67 consumption year, however, are expected to be less than the 6.3 million tons purchased for 1965/66 delivery. Less than 5 million tons for delivery during 1966/67 had been purchased by the end of 1966. The long-term agreements with Canada for wheat extending almost to 1970 indicate that China sees no quick or easy solution to its food problem, which is likely to require even larger amounts of foreign exchange for an indefinite period. Increased imports of chemical fertilizers in 1965, 1966, and 1967 may be an indication that the Government is placing greater emphasis on fertilizers in order to reduce dependence on imported foodstuff. (Marion R. Larsen)

OCEANIA

AUSTRALIA

Economic conditions: Despite lowered foreign exchange earnings in 1965/66 from such major farm commodities as wheat, wool, sugar and dairy products, the overall balance of payments was more favorable than for 1964/65. In the fiscal year that ended June 30, 1966, foreign exchange reserves increased by about \$23 million, reaching \$1,540 million at the end of June 1966, as compared to a decline of \$356 million for 1964/65. Factors that contributed to this improvement are (1) higher prices received for exported wool and meat; (2) the decline in farm income which contributed to smaller consumption of imported goods by farmers; and (3) the growth in exports of metals and certain manufactures.

GNP in 1965/66 increased 4 percent to \$23 billion. Because of price increases, GNP in real terms was only slightly above 1964/65, whereas growth in real terms was 6 percent in each of the 3 preceding years. Farm income for 1965/66 declined to \$1,014 million, 26 percent below the previous year, and was the lowest since 1961/62. Farm income in 1966/67

is expected to be about 15 percent above the previous year but less than the record of 1963/64.

Agricultural production: The index of total farm production in 1966/67 is estimated at 10 percent above last year. Most of this increase is expected to come from larger output of grains, sugar, dairy products, some fruits and vegetables.

Latest estimates of the 1966/67 wheat crop indicate a harvest of 450 million bushels (12.2 million tons) or about 80 million bushels above the previous record output of 1964/65. Most of this increase resulted from 3 million additional acres planted plus record yields of 21.1 bushels per acre. The increase in production and exports of wheat from the 1966/67 crop has built up the importance of wheat in relation to other farm products. It is estimated that wheat alone will account for about 19 percent of the gross value of all farm production in 1966/67.

The output of other grains will also be well above 1965/66. Increases will vary from

14 percent for rice and oats to 27 percent for barley. There will be substantial increases in supplies for export.

Cotton production is estimated 4 percent above 1965/66, due largely to higher yields. Tobacco production is not expected to exceed the annual quota of 26 million pounds set by the stabilization scheme. The 1966/67 sugar crop is forecast at about 2.4 million tons.

Livestock slaughter and output of such meats as beef, veal and mutton will probably decline. Australia is short an estimated 50 million sheep for the 1966/67 season. Approximately 20 million are needed to make up losses incurred during the drought of 1965/66 in New South Wales and Queensland, while another 30 million are needed for new pasture and land development throughout the Commonwealth. Despite the sharp decline in sheep numbers, wool production is expected to drop only slightly below last year.

Agricultural trade: Forecasts of the total value of agricultural exports in 1966/67 indicate foreign exchange earnings should be about 3 percent above last year. This increase is expected to come mainly from greater exports of grains, wool and dairy products. Returns from sugar exports may be slightly higher than last year but still below the levels of 1963/64 and 1964/65.

The three largest markets for Australian exports in 1965/66 were Japan, the United Kingdom and the United States. The United Kingdom's share of the Australian trade has been declining as Australia attempts to increase exports of agricultural commodities to the Far East, EEC countries, Latin America, and the Middle East.

Of the estimated 9 million tons of wheat available for export in 1967, more than 2 million tons have been allocated to sales or gifts to Far Eastern countries. Sales so far to Mainland China from the 1966/67 crop amount to 1.5 million tons as compared to total shipments of 1.4 million tons in 1966 and 2.8 million tons in 1965. Exports to Pakistan are currently estimated at 457,000 tons--almost

five times total shipments in 1966. Gifts and sales to India amount to about 300,000 tons. Since 1960, Australia's sales of wheat to Mainland China have totaled about 13.4 million tons. The price reported for the latest Mainland China sale was about \$66 a ton while the price received for the recent wheat sales to Pakistan may be closer to the Australian average export price, namely \$64 a ton.

In the U.S. market, Australia is considered the fifth-largest supplier of agricultural products. U.S. imports of farm products from Australia totaled \$214 million in 1965. Beef, mutton, wool, and sugar accounted for 93 percent of this trade. U.S. farm exports to Australia in 1965 totaled only \$40 million, of which 55 percent consisted of shipments of tobacco and cotton. (Mary E. Long)

NEW ZEALAND

Economic conditions: The high level of economic activity of 1965/66 continues in 1966/67 but at a somewhat slower pace. The latest 5-year census completed in March shows population just under 2.7 million. GNP for the fiscal year ending March 1966 was \$5.3 billion, an increase of about 7 percent from 1964/65. GNP for 1966/67 is forecast at less than 1965/66, but demand for goods and services is expected to be strong. Net farm income in 1965/66 rose only \$14 million and contributed a very small proportion of the total national income of \$4.5 billion--which was 8 percent above the previous year.

Even with favorable growth, the Government found it necessary to halt inflationary trends and adopted measures to curb spending and tighten the supply of credit. Official encouragement has been given to the diversion of savings into farm investment and Government securities.

Despite high earnings from exports in 1965/66, mainly agricultural, the total value of imports and invisibles still exceeded foreign exchange receipts by more than \$260 million. This continued the unfavorable balance-of-payments situation which has prevailed for many years.

Agricultural production: The outlook for agriculture, particularly production for export, is favorable for 1966/67. Early forecasts indicate higher output of wheat and other grains in 1967, with the exception of oats. Fruit production, too, will probably be down, but all other crops are expected to show gains in output.

Fertilizer usage in the year ended June 1966 was about 2 million tons. This represents a doubling of fertilizer applications in the past 7 years. Fertilizer requirements by 1980 are projected at 4 million tons.

Prospects for the livestock industry in 1967 are excellent. Sheep numbers are record-high and in July 1966 were estimated at 57 million as compared with 54 million in mid-1965. Wool production will probably make the greatest gains in 1966/67. Output is estimated at 720 million as compared with 695 million for 1965/66. New technology in grasses and clovers has added to the productivity of pastures and aided in increased stocking rates of livestock. Dairy production is expected to exceed slightly last year's levels. A larger gain did not occur because of cold and wet weather during the winter months.

High levels of investment in agriculture are reflected in increased attention to fertilizers and in increased demand for and imports of farm machinery items in 1965/66 as compared with the previous year.

The wool floor price for the 1966/67 marketing season has been increased from 35d (38.5¢) per pound to 36d (39.6¢) per pound.

Production of tobacco and hops continue to be limited by contract acreages negotiated between the industry and producers. Tobacco acreage quotas were cut back about 20 percent to satisfy industry requirements.

Livestock producers are expected to benefit to some extent from a revision in the tax laws which permit farmers to use a smaller

base for valuation of livestock and to defer reporting of livestock for tax purposes until such time as sold or disposed of. At that time, the full market value of the stock becomes taxable income.

Under new legislation passed by Parliament, at least 10 percent of New Zealand's lamb must be sold in markets other than the United Kingdom.

Agricultural trade: The emphasis placed on agricultural expansion is expected to be reflected in a greater volume of farm products for export in 1966/67. This increase will occur chiefly from the livestock sector--dairy products, wool, and meats.

A trade agreement finalized in June 1966 guarantees New Zealand preferential arrangements for exports of agricultural commodities to the United Kingdom for the next 3 to 5 years. All of New Zealand's agricultural products will be admitted duty-free until January 1970. Provisions of earlier agreements which provided for unrestricted entry of New Zealand's meat and dairy products into the United Kingdom were extended until 1972. The only exception was butter, which will still be subject to annual quota negotiations with the United Kingdom.

On a volume basis, New Zealand's exports in early 1966/67 were above last year, but total foreign exchange earnings for the year are expected to be below 1965/66 as prices of wool have declined sharply in recent months. Foreign exchange earnings from exports to Europe will also be affected by a 7-3/4 percent increase in freight rates.

Primary attention is still given to foreign market diversion for agricultural exports to lessen dependence on the United Kingdom. Promotion of markets in the Far East continues, with Japan now ranking as the third-largest outlet for New Zealand exports and the fourth-largest supplier of New Zealand imports. (Mary E. Long)

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